

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0227-01
Bill No.: SB 49
Subject: Children and Minors; Social Services Department; Tax Credits
Type: Original
Date: January 7, 2013

Bill Summary: This proposal modifies the criteria for determining what is a special needs child, for the purposes of the special needs adoption tax credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	Less than \$100,000	Less than \$100,000	Less than \$100,000
Total Estimated Net Effect on General Revenue Fund	Less than \$100,000	Less than \$100,000	Less than \$100,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration - Budget and Planning (BAP)** assume no impact on BAP. However, this proposal modifies the Adoption credit by not allowing ethnic background or minority status as the sole eligibility factor. To the extent this change reduces participation in the program, General and Total State Revenue may be increased by an unknown amount.

Officials at the **Department of Social Services** qualify agencies to receive donations so this proposal does not affect them administratively. This proposal may result in fewer tax credits going to individuals providing care for special needs children, but will not fiscally impact the Department.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Revenue** each assume there is no fiscal impact from this proposal.

According to the Tax Credit Analysis submitted by the Department of Revenue regarding this program, the Special Needs Adoption tax credit program, had the following activity;

Fiscal Year	Number of Resident Redemptions	Resident Credits Redeemed	Average resident credit	Number of Nonresident Redemptions	Nonresident Credits Redeemed	Average NR Credit
2006	201	\$ 527,372	\$2,624	1,775	\$ 2,000,000	\$ 1,127
2007	152	\$ 427,777	\$2,814	1,120	\$ 2,498,905	\$ 2,231
2008	211	\$ 611,536	\$2,898	962	\$ 2,483,989	\$ 2,582
2009	161	\$ 454,354	\$2,822	626	\$ 1,767,881	\$ 2,824
2010	162	\$ 429,398	\$2,650	520	\$ 1,464,789	\$ 2,817
2011	125	\$ 296,502	\$2,372	383	\$ 1,049,952	\$ 2,741
2012	65	\$ 137,816	\$2,120	321	\$ 898,410	\$ 2,799
Totals	1,077	\$2,884,755	\$18,300	5,707	\$12,163,926	\$ 17,121

ASSUMPTION (continued)

Oversight assumes this proposal changes the definition of a special needs child. Oversight assumes it is unclear how many individuals previously received the tax credit with the only condition being the child was in the minority group. Neither the Department of Social Services nor the Department of Revenue maintain such records. Oversight assumes that if there was a child of a minority group, that child may still be eligible due to the other requirements of the credit.

The Special Needs tax credit shares a \$4 million dollar cap with the Children in Crisis tax credit. Additionally, any money saved from an individual no longer being able to receive the credit, goes into the money eligible for the Children in Crisis tax credit. **Oversight** assumes this change would have a minimal impact and will reflect the impact as Less than \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
Revenue - possible savings from the change in definition	<u>Less than</u> <u>\$100,000</u>	<u>Less than</u> <u>\$100,000</u>	<u>Less than</u> <u>\$100,000</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Less than</u> <u>\$100,000</u>	<u>Less than</u> <u>\$100,000</u>	<u>Less than</u> <u>\$100,000</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

For the purposes of determining which children are special needs children, so that an individual may receive a tax credit for adopting a special needs child, this act prohibits ethnic background or membership in a minority group from being the sole factor that is used to consider a child who cannot be returned to his parents' home a special needs child.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Budget and Planning
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Department of Social Services



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